

CITY OF GARNER

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2016

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CITY OF GARNER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2016)		
Ken Mick	Mayor	Jan 2018
Deb Schmidt	Mayor Pro tem	Jan 2016
Lynn Smith	Council Member	Jan 2016
Tim Schmidt	Council Member	Jan 2018
George Smith	Council Member	Jan 2018
Denny Drabek	Council Member	Jan 2018
Daisy Huffman	City Clerk/Treasurer	Indefinite
Randy Lansing	City Administrator	Indefinite
Philip Garland	Attorney	Indefinite
(After January 2016)		
Ken Mick	Mayor	Jan 2018
Denny Drabek	Mayor Pro tem	Jan 2018
Lynn Smith	Council Member	Jan 2020
Tim Schmidt	Council Member	Jan 2018
George Smith	Council Member	Jan 2018
Marline Lewerke	Council Member	Jan 2020
Daisy Huffman	City Clerk/Treasurer	Indefinite
Randy Lansing	City Administrator	Indefinite
Philip Garland	Attorney	Indefinite

DENNIS L. RENNER, CPA  
MICHAEL J. BIRCHEM, CPA, CFP®

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## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Garner, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Garner as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.



## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Garner's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information; the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 12 and 31 through 36 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2016 on our consideration of City of Garner's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Garner's internal control over financial reporting and compliance.

November 28, 2016

  
Renner & Birchem, P.C.  
Britt, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Garner provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 33.2%, or approximately \$1,270,000 from fiscal year 2015 to fiscal 2016. Property tax increased approximately \$36,000 and loan proceeds increased \$1,400,000.
- Disbursements of the City's governmental activities increased 34.4%, or approximately \$1,200,000, in fiscal year 2016 from fiscal year 2015. Public safety and debt service disbursements increased approximately \$29,000 and \$1,490,000 respectively.
- The City's total cash basis net position increased 8.8%, or approximately \$330,000 from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$412,000 and the cash basis net position of the business type activities decreased approximately \$83,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.



## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and other general receipts finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer and storm sewer systems. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Storm Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

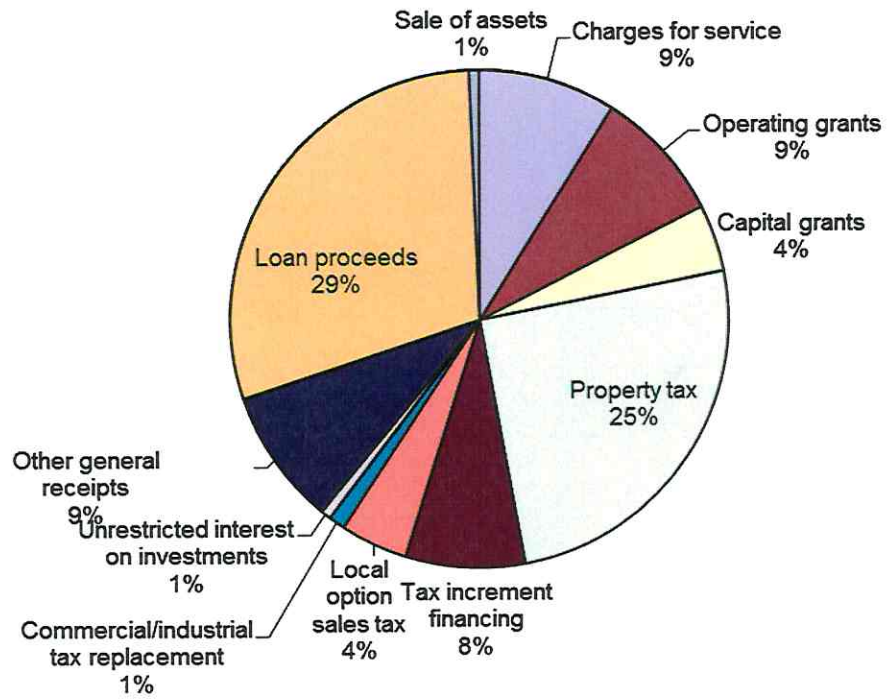
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$2.725 million to approximately \$3.137 million. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

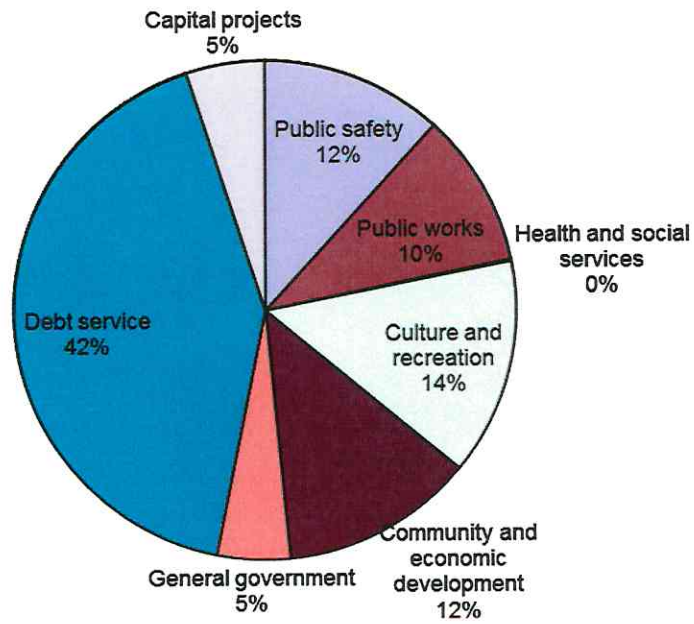
Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 457,090	446,774
Operating grants	439,246	366,450
Capital grants	221,110	203,221
General receipts:		
Property tax	1,289,291	1,253,510
Tax increment financing	398,079	473,503
Local option sales tax	223,271	325,755
Commercial/industrial tax replacement	54,971	
Unrestricted interest on investments	32,826	25,146
Other general receipts	453,300	579,259
Loan proceeds	1,506,504	74,542
Sale of assets	33,500	88,328
Total receipts	5,109,188	3,836,488
Disbursements:		
Public safety	552,837	524,267
Public works	468,679	640,095
Health and social services	5,145	5,145
Culture and recreation	663,207	689,519
Community and economic development	586,936	711,954
General government	220,135	223,090
Debt service	1,963,210	476,193
Capital projects	236,993	223,589
Total disbursements	4,697,142	3,493,852
Change in cash basis net position before transfers	412,046	342,636
Transfers, net		226,662
Change in cash basis net position	412,046	569,298
Cash basis net position beginning of year	2,724,537	2,155,239
Cash basis net position end of year	\$ 3,136,583	2,724,537



## Receipts by Source



## Disbursements by Function



The City's total receipts for governmental activities increased 33.2%, or approximately \$1,270,000 from the prior year. The total cost of all programs and services increased approximately \$1,200,000 or 34.4%. The significant increase in receipts was primarily the result of bond proceeds received from the refunding of general obligation debt. The City experienced no change in its property tax rate for 2016 remaining at a rate of 13.24%. While maintaining a steady levy rate, property tax receipts for the year showed an increase of almost \$36,000 in fiscal year 2016.

The cost of all governmental activities this year was approximately \$4.697 million compared to approximately \$3.494 last year. However, as shown in the Statement of Activities and Net Position on page 14, the amount taxpayers ultimately financed for these activities was approximately \$3.580 million because some of the cost was paid by those directly benefited from the programs (approximately \$457,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$660,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$1.016 million to approximately \$1.117 million, principally due to increased Road Use Tax state-shared revenues.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 282,602	296,761
Sewer	514,044	538,485
Storm sewer	60,685	60,370
General receipts:		
Unrestricted interest on investments	7,720	8,923
Miscellaneous	10,033	25,619
Total receipts	875,084	930,158
Disbursements:		
Water	311,929	237,747
Sewer	562,200	578,540
Storm sewer	84,314	38,340
Total disbursements	958,443	854,627
Change in cash basis net position before transfers	(83,359)	75,531
Transfers, net		(226,662)
Change in cash basis net position	(83,359)	(151,131)
Cash basis net position beginning of year	1,009,698	1,160,829
Cash basis net position end of year	\$ 926,339	1,009,698

Total business type activities receipts for the fiscal year were approximately \$875,000 compared to approximately \$930,000 last year. This significant decrease was due primarily to reduced receipts from charges for service. The cash balance decreased approximately \$83,000 from the prior year due to reduced receipts and increased disbursements. Total disbursements for the fiscal year increased 12.1% to approximately \$958,000.

#### **INDIVIDUAL MAJOR AND NON-MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Garner completed the year, its governmental funds reported a combined fund balance of \$3,136,583, an increase of \$412,046 from last year's total of \$2,724,537. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$38,530 from the prior year to \$1,307,183 due largely to the use of project funds which had been set aside in prior years.
- The Special Revenue, Local Option Tax Fund cash balance increased by \$130,242 to \$430,020. The accumulation of fund reserves is in anticipation of future project needs.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$163,288 to \$304,089 due largely to increased state-shared revenues and decreased departmental expenditures.
- The Special Revenue, Revolving Loan - Housing Fund cash balance increased by \$51,548 to \$490,128 due largely to proceeds from lot sales in Hejlik's Subdivision.
- Non-major Governmental Funds increased by \$92,328 to \$513,542. This increase was largely due to the Special Revenue, Employee Benefits fund balance increasing to a balance of \$152,849 to cover the city's maximum self-insurance exposure.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased by \$27,724 to \$177,726 primarily due to decreased receipts and increased operating expenditures.
- The Enterprise, Sewer Fund cash balance decreased by \$36,512 to \$673,235 primarily due to decreased receipts and increased operating expenditures.
- The Enterprise, Storm Sewer Fund cash balance decreased by \$19,123 to \$75,378 primarily due to an intake replacement project.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment resulted in an increase to disbursements in several functions totaling \$1,780,000. Governmental Activity amendments were primarily due to refunding of general obligation debt.



## DEBT ADMINISTRATION

At June 30, 2016, the City had \$4,802,284 in bonds and other long-term debt, compared to \$5,369,542 the previous year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2016	2015
General obligation notes	\$ 2,775,000	3,145,000
TIF notes	60,284	74,542
Revenue notes	1,967,000	2,150,000
Total	\$ 4,802,284	5,369,542

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing (TIF) debt of \$2,835,284 is significantly below its constitutional debt limit of \$8.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates and fees that will be charged for various City activities. As state and national economic conditions continue to improve, Garner shares in the optimism. With an unemployment rate of 2.2%, well below the national level of 4.7%, the local economy remains steady. City officials continue to be cautious looking to maintain a strong financial position when addressing government spending and yet were able to maintain the same tax rate of 13.24% for the sixth year in a row.

Even with no change in the tax rate, a couple of large projects are scheduled for completion in fiscal year 2017, the library remodeling and addition project and a downtown revitalization project.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Lansing, City Administrator, 135 West 5th Street, Garner, Iowa.



## BASIC FINANCIAL STATEMENTS

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>							
Public safety	\$ 552,837		23,482		(529,355)		(529,355)
Public works	468,679	163,271	386,680		81,272		81,272
Health and social services	5,145				(5,145)		(5,145)
Culture and recreation	663,207	293,169	29,084		(340,954)		(340,954)
Community and economic development	586,936			221,110	(365,826)		(365,826)
General government	220,135	650			(219,485)		(219,485)
Debt service	1,963,210				(1,963,210)		(1,963,210)
Capital projects	236,993				(236,993)		(236,993)
Total governmental activities	4,697,142	457,090	439,246	221,110	(3,579,696)		(3,579,696)
<b>Business type activities:</b>							
Water	311,929	282,602				(29,327)	(29,327)
Sewer	562,200	514,044				(48,156)	(48,156)
Storm sewer	84,314	60,685				(23,629)	(23,629)
Total business type activities	958,443	857,331				(101,112)	(101,112)
<b>Total</b>	<b>\$ 5,655,585</b>	<b>1,314,421</b>	<b>439,246</b>	<b>221,110</b>	<b>(3,579,696)</b>	<b>(101,112)</b>	<b>(3,680,808)</b>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					\$ 783,078		783,078
Employee benefits and insurance					272,572		272,572
Debt service					233,641		233,641
Tax increment financing					398,079		398,079
Local option sales tax					223,271		223,271
Commercial/industrial tax replacement					54,971		54,971
Unrestricted interest on investments					32,826	7,720	40,546
Loan proceeds					1,506,504		1,506,504
Miscellaneous					453,300	10,033	463,333
Sale of assets					33,500		33,500
Total general receipts					3,991,742	17,753	4,009,495
Change in cash basis net position					412,046	(83,359)	328,687
Cash basis net position beginning of year					2,724,537	1,009,698	3,734,235
Cash basis net position end of year					\$ 3,136,583	926,339	4,062,922
<b>Cash Basis Net Position</b>							
Restricted:							
Expendable:							
Streets					\$ 304,089		304,089
Debt service					18,918	252,928	271,846
Other purposes					1,506,393		1,506,393
Unrestricted					1,307,183	673,411	1,980,594
Total cash basis net position					\$ 3,136,583	926,339	4,062,922

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue						Nonmajor	Total
	General	Local Option Tax	Revolving Loan-Housing	Road Use Tax	Urban Renewal Tax Increment	Debt Service		
<b>Receipts:</b>								
Property tax	\$ 783,078					233,641	272,572	1,289,291
Tax increment financing					398,079			398,079
Other city tax	44,899	223,271				4,054	5,503	277,727
Licenses and permits	17,314							17,314
Use of money and property	85,034	3,094	3,206				11,737	103,071
Intergovernmental	86,812			386,680		8,792	233,043	715,327
Charges for service	457,090							457,090
Special assessments	27,870							27,870
Miscellaneous	66,332		2,871	5,446			208,766	283,415
<b>Total receipts</b>	<b>1,568,429</b>	<b>226,365</b>	<b>6,077</b>	<b>392,126</b>	<b>398,079</b>	<b>246,487</b>	<b>731,621</b>	<b>3,569,184</b>
<b>Disbursements:</b>								
Operating:								
Public safety	437,315						115,522	552,837
Public works	186,904			250,516			31,259	468,679
Health and social services	5,145							5,145
Culture and recreation	612,746						50,461	663,207
Community and economic development	175,326		2,280		117,110		292,220	586,936
General government	185,671						34,464	220,135
Debt service					15,767	1,947,443		1,963,210
Capital projects							236,993	236,993
<b>Total disbursements</b>	<b>1,603,107</b>		<b>2,280</b>	<b>250,516</b>	<b>132,877</b>	<b>1,947,443</b>	<b>760,919</b>	<b>4,697,142</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(34,678)</b>	<b>226,365</b>	<b>3,797</b>	<b>141,610</b>	<b>265,202</b>	<b>(1,700,956)</b>	<b>(29,298)</b>	<b>(1,127,958)</b>
<b>Other financing sources (uses):</b>								
Loan proceeds	1,506,504							1,506,504
Operating transfers in	150,957	18,750		21,678		1,706,854	117,029	2,015,268
Operating transfers out	(1,623,533)	(172,635)			(219,100)			(2,015,268)
Internal loan, net	(42,780)	57,762	19,251		(38,830)		4,597	
Sale of assets	5,000		28,500					33,500
<b>Total other financing sources (uses)</b>	<b>(3,852)</b>	<b>(96,123)</b>	<b>47,751</b>	<b>21,678</b>	<b>(257,930)</b>	<b>1,706,854</b>	<b>121,626</b>	<b>1,540,004</b>
<b>Change in cash balances</b>	<b>(38,530)</b>	<b>130,242</b>	<b>51,548</b>	<b>163,288</b>	<b>7,272</b>	<b>5,898</b>	<b>92,328</b>	<b>412,046</b>
<b>Cash balances beginning of year</b>	<b>1,345,713</b>	<b>299,778</b>	<b>438,580</b>	<b>140,801</b>	<b>65,431</b>	<b>13,020</b>	<b>421,214</b>	<b>2,724,537</b>
<b>Cash balances end of year</b>	<b>\$ 1,307,183</b>	<b>430,020</b>	<b>490,128</b>	<b>304,089</b>	<b>72,703</b>	<b>18,918</b>	<b>513,542</b>	<b>3,136,583</b>
<b>Cash Basis Fund Balances</b>								
Restricted for:								
Debt service						18,918		18,918
Streets				304,089				304,089
Other purposes		430,020	490,128		72,703		513,542	1,506,393
Unassigned	\$ 1,307,183							1,307,183
<b>Total cash basis fund balances</b>	<b>\$ 1,307,183</b>	<b>430,020</b>	<b>490,128</b>	<b>304,089</b>	<b>72,703</b>	<b>18,918</b>	<b>513,542</b>	<b>3,136,583</b>

See notes to financial statements.

## City of Garner

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2016

	Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
Operating receipts:				
Charges for services	\$ 282,602	514,044	60,685	857,331
Total operating receipts	282,602	514,044	60,685	857,331
Operating disbursements:				
Business type activities	311,929	309,325	84,314	705,568
Total operating disbursements	311,929	309,325	84,314	705,568
Excess of operating receipts over operating disbursements	(29,327)	204,719	(23,629)	151,763
Non-operating receipts (disbursements):				
Interest on investments	1,508	5,487	725	7,720
Miscellaneous	95	6,157	3,781	10,033
Total non-operating receipts	1,603	11,644	4,506	17,753
Excess of receipts over disbursements	(27,724)	216,363	(19,123)	169,516
Other financing sources (uses):				
Debt service repayment		(252,875)		(252,875)
Total other financing sources (uses)		(252,875)		(252,875)
Change in cash balances	(27,724)	(36,512)	(19,123)	(83,359)
Cash balances beginning of year	205,450	709,747	94,501	1,009,698
Cash balances end of year	\$ 177,726	673,235	75,378	926,339
<b>Cash Basis Fund Balances</b>				
Restricted for debt service		252,928		252,928
Unrestricted	\$ 177,726	420,307	75,378	673,411
Total cash basis fund balances	\$ 177,726	673,235	75,378	926,339

See notes to financial statements.



# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

### **(1) Summary of Significant Accounting Policies**

The City of Garner is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City of Garner also provides water and sewer utilities for its citizens.

#### **A. Reporting Entity**

For financial reporting purposes, City of Garner has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

#### **Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Landfill of North Iowa Board, Hancock County Emergency Management Commission, E911 Board, Hancock County Assessor's Conference Board, Garner Area Community Betterment Association and Hancock County Economic Development Corporation.

#### **B. Basis of Presentation**

**Government-wide Financial Statement** – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

### Special Revenue:

The Local Option Fund is used to account for local option tax receipts and disbursements.

The Revolving Loan-Housing Fund is used to account for development activities for housing projects.

The Road Use Tax Fund is used to account for the road use tax allocations from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of the tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.



# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also elected to report the following discretionary fund as a major fund.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

### C. Measurement Focus and Basis of Accounting

The City of Garner maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.



# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

### (2) **Cash and Investments**

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The Henschen Library Trust investments at June 30, 2016 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Donated stock and stock funds	\$ 151,664	\$ 324,618

The donated stock and stock funds are included in the Trust Fund-Henschen Library Trust. The stock was bequested to the City in 1969 under the stipulation that the income is only to be used for the general purposes of the Garner Public Library for a period of fifty years. Part of the stock originally received was sold on February 22, 1996 and the entire proceeds were reinvested in mutual funds in accordance with the terms of the original bequest. All of the investments are registered in the name of the Garner Public Library. The Public Library Board has control over the funds, First Citizens Trust Company, N.A. is the trustee.

# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General		Urban Renewal Tax Increment Financing		Revenue Notes		Total	
	Obligation Notes		Revenue Notes		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 395,000	57,025	14,616	1,151	189,000	59,010	598,616	117,186
2018	385,000	43,955	14,917	850	196,000	53,340	595,917	98,145
2019	390,000	37,658	15,221	546	154,000	47,460	559,221	85,664
2020	395,000	30,930	15,530	237	159,000	42,840	569,530	74,007
2021	405,000	25,738			164,000	68,070	569,000	93,808
2022-2026	805,000	23,540			906,000	113,130	1,711,000	136,670
2027-2028					199,000	5,970	199,000	5,970
	<u>\$ 2,775,000</u>	<u>218,846</u>	<u>60,284</u>	<u>2,784</u>	<u>1,967,000</u>	<u>389,820</u>	<u>4,802,284</u>	<u>611,450</u>

#### Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$74,542 of urban renewal tax increment financing (TIF) revenue bonds in December 2014 for the purpose of defraying a portion of the costs of the extension of natural gas distribution lines within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$63,068, payable through June 2020.

#### Revenue Notes

The City has pledged future sewer customer receipts, net of specific operating disbursements to repay \$2,935,000 of sewer revenue notes. Proceeds from the notes provided financing for the construction of the wastewater treatment plant and sewer trunkline. The notes are payable solely from sewer customer net receipts and are payable through 2027. Total principal and interest remaining to be paid on the notes is \$2,356,820. For the current year, principal and interest paid and total customer receipts were \$247,500 and \$520,201, respectively.



## CITY OF GARNER

### Notes to Financial Statements

June 30, 2016

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking fund within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus fund within the Enterprise Funds. All money credited to the surplus fund shall be transferred and credited to the sinking fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the notes.

#### Internal Loans

Advances of \$115,000 were made from the Local Option Fund and \$100,000 from the Housing Revolving Loan Fund to the Capital Projects Fund in order to pay the costs of construction for rehabilitation clinic for Hancock County Memorial Hospital. These advances, totaling \$215,000, shall be treated as a loan (the "Loan") to the Capital Project Fund and shall be repaid to the Local Option Fund and the Housing Revolving Loan Fund.

An advance of \$250,000 was made from the Local Option Fund to the Touchstone-TIF Fund in order to pay for infrastructure. This advance shall be treated as a loan (the "Loan") to the Touchstone-TIF Fund and shall be repaid to the Local Option Fund.

An advance of \$6,665 was made from the Housing Revolving Loan Fund to the Kadrlik Touchstone-TIF Fund in order to pay the initial costs for a feasibility study regarding a potential new motel. This advance shall be treated as a loan (the "Loan") to the Kadrlik Touchstone-TIF Fund and shall be repaid to the Housing Revolving Loan Fund.

An advance of \$27,500 was made from the Revolving Loan-Industry Fund to the Kadrlik Touchstone-TIF Fund in order to pay for infrastructure for Steller expansion. This advance shall be treated as a loan (the "Loan") to the Kadrlik Touchstone-TIF Fund and shall be repaid to the Revolving Loan-Industry Fund.

Payments on the loans are subject to annual appropriation by the City Council and to the Council's determination that there are incremental tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund.



## CITY OF GARNER

### Notes to Financial Statements

June 30, 2016

Once appropriated, payments shall be made on the Loan on June 1 of each year to the extent there are incremental tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund. The right is hereby reserved to issue additional obligations, or to enter into additional loans, payable from the Tax Increment Fund, which may either rank on parity with the loan or may have a priority over the loan with respect to the revenues in the Tax Increment Fund. The internal loans principal balance outstanding at June 30, 2016 is \$95,275.

#### **(4) Pension Plans**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

## CITY OF GARNER

### Notes to Financial Statements (continued)

June 30, 2016

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$76,617.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City liability for its proportionate share of the collective net pension liability totaled \$356,647. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.007218990%, which was an increase of 0.000418% from its proportion measured as of June 30, 2014.



# CITY OF GARNER

## Notes to Financial Statements (continued)

June 30, 2016

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$42,372, \$105,885 and \$144,283 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 %compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2010)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	



# CITY OF GARNER

## Notes to Financial Statements (continued)

June 30, 2016

**Discount Rate** - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** -

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 787,249	\$ 356,647	\$ (6,606)

**IPERS Fiduciary Net Position** - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

## **(5) Other Postemployment Benefits (OPEB)**

**Plan Description** - The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 14 active on the health plan, 15 active on the dental plan and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with True North Companies/Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The dental benefits are provided through a fully-insured plan with True North Companies/Blue Dental. Retirees pay the same premium for dental benefits as active employees.

**Funding Policy** - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. For the year ended June 30, 2016, the City contributed \$111,271 and plan members eligible for benefits contributed \$18,599 to the plan.

# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

### (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2016</u>
Vacation	\$ 45,856
Comp	<u>4,029</u>
	<u>\$ 49,885</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

### (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option	\$ <u>150,956</u>
Special Revenue: RUT	Special Revenue: Local Option	<u>21,678</u>
Capital Project	General	<u>117,029</u>
Debt Service	Special Revenue: Tax Increment General	200,351 <u>1,506,504</u> <u>1,706,855</u>
Local Option	Tax Increment	<u>18,750</u>
Total		<u>\$2,015,268</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

### (8) Related Party Transactions

The City had business transactions between the City and City officials, during the year ended June 30, 2016, totaling \$20,155.



# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

### **(9) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on the cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Garner's annual contributions to the Pool for the year ended June 30, 2016 were \$96,806.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.



# CITY OF GARNER

## Notes to Financial Statements

June 30, 2016

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City of Garner also carries commercial insurance purchased from other insurers for surety bond coverage. The City assumes liability for any deductibles and claims in excess of coverage limitations.

### **(10) Deferred Compensation Agreements**

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements. The City does not make any contributions under the agreement.

### **(11) Commitments and Contingencies**

The City has entered into a construction contract for the library project totaling \$1,269,325. The \$1,170,444 balance remaining on the contract at June 30, 2016 will be paid as work on the project progresses.

### **(12) Prairie Energy Development, LC**

The City is a one third partner in Prairie Energy Development, LC. The partnership owns Touchstone Energy Industrial Park land to be used for economic development.

### **(13) New Accounting Pronouncement**

The City of Garner adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## OTHER INFORMATION

City of Garner

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,289,291			1,289,291	1,281,256	1,281,256	8,035
Tax increment financing	398,079			398,079	430,502	430,502	(32,423)
Other city tax	277,727			277,727	316,857	316,857	(39,130)
Licenses and permits	17,314			17,314	34,900	34,900	(17,586)
Use of money and property	103,071	7,720	9,950	100,841	85,286	85,286	15,555
Intergovernmental	715,327			715,327	936,216	971,216	(255,889)
Charges for services	457,090	857,331		1,314,421	1,350,854	1,350,854	(36,433)
Special assessments	27,870			27,870	12,200	12,200	15,670
Miscellaneous	283,415	10,033		293,448	627,672	632,672	(339,224)
Total receipts	3,569,184	875,084	9,950	4,434,318	5,075,743	5,115,743	(681,425)
Disbursements:							
Public safety	552,837			552,837	570,760	590,760	37,923
Public works	468,679			468,679	576,723	611,723	143,044
Health and social services	5,145			5,145	5,145	5,145	
Culture and recreation	663,207		7,711	655,496	638,170	698,170	42,674
Community and economic development	586,936			586,936	965,542	1,015,542	428,606
General government	220,135			220,135	213,621	238,621	18,486
Debt service	1,963,210			1,963,210	472,710	1,972,710	9,500
Capital projects	236,993			236,993	1,125,000	1,125,000	888,007
Business type activities		705,568		705,568	958,680	1,048,680	343,112
Total disbursements	4,697,142	705,568	7,711	5,394,999	5,526,351	7,306,351	1,911,352
Excess (deficiency) of receipts over (under) disbursements	(1,127,958)	169,516	2,239	(960,681)	(450,608)	(2,190,608)	1,229,927
Other financing sources, net	1,540,004	(252,875)		1,287,129	392,500	1,892,500	(605,371)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	412,046	(83,359)	2,239	326,448	(58,108)	(298,108)	(624,556)
Balances beginning of year	2,724,537	1,009,698	153,631	3,580,604	3,135,882	3,135,882	(444,722)
Cash balances end of year	\$ 3,136,583	926,339	155,870	3,907,052	3,077,774	2,837,774	(1,069,278)

See accompanying independent auditor's report.



City of Garner

Notes to Other Information – Budgetary Reporting

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,780,000. The budget amendment is reflected in the final budgeted amounts.

City of Garner  
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Years\*

Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0072189%	0.0068006%
City's proportionate share of the net pension liability	\$ 356,647	\$ 269,704
City's covered-employee payroll	803,428	796,159
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.39%	33.88%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Garner  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Other Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 76,617	74,926	74,126	72,069	68,104	60,741	55,205	59,577	40,779	40,149
Contributions in relation to the statutorily required contribution	(76,617)	(74,926)	(74,126)	(72,069)	(68,104)	(60,741)	(55,205)	(59,577)	(40,779)	(40,149)
Contribution deficiency (excess)										
City's covered-employee payroll	\$ 830,370	803,428	796,159	785,030	783,249	765,661	735,166	755,448	588,908	569,187
Contributions as a percentage of covered-employee payroll	9.23%	9.33%	9.31%	9.18%	8.70%	7.93%	7.51%	7.89%	6.92%	7.05%

See accompanying independent auditor's report.



City of Garner

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

## SUPPLEMENTARY INFORMATION

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue				Capital Projects	Permanent	Total
	Employee Benefits	Industrial Revolving Loan	Retail Revolving Loan	CDBG Housing Rehab		Henschen Library Trust	
Receipts:							
Property tax	\$ 272,572						272,572
Other city tax	5,503						5,503
Use of money and property	427	1,032	328			9,950	11,737
Intergovernmental	11,933			221,110			233,043
Miscellaneous	2,516	16,126	1,748	68,412	119,964		208,766
Total receipts	292,951	17,158	2,076	289,522		9,950	731,621
Disbursements:							
Operating:							
Public safety	115,522						115,522
Public works	31,259						31,259
Culture and recreation	42,750					7,711	50,461
Community and economic development				292,220			292,220
General government	34,464						34,464
Capital projects					236,993		236,993
Total disbursements	223,995			292,220	236,993	7,711	760,919
Excess (deficiency) of receipts over (under) disbursements	68,956	17,158	2,076	(2,698)	(236,993)	2,239	(29,298)
Other financing sources (uses):							
Operating transfers in					117,029		117,029
Internal loans, net		4,597					4,597
Total other financing sources (uses):		4,597			117,029		121,626
Change in cash balances	68,956	21,755	2,076	(2,698)		2,239	92,328
Cash balances beginning of year	83,893	134,120	45,912	3,658		153,631	421,214
Cash balances end of year	\$ 152,849	155,875	47,988	960		155,870	513,542
<b>Cash Basis Fund Balances</b>							
Restricted for other purposes	\$ 152,849	155,875	47,988	960		155,870	513,542
Total cash basis fund balances	\$ 152,849	155,875	47,988	960		155,870	513,542

See accompanying independent auditor's report.



Schedule of Cash Receipts, Disbursements and Changes in Cash Balances  
Capital Projects Funds

As of and for the year ended June 30, 2016

	Touchstone Improvements	Library Remodel	Total
Receipts:			
Miscellaneous	\$ 7,464	112,500	119,964
Total receipts	7,464	112,500	119,964
Disbursements:			
Capital projects	7,464	229,529	236,993
Total disbursements	7,464	229,529	236,993
Excess (deficiency) of receipts over (under) disbursements		(117,029)	(117,029)
Other financing sources (uses):			
Operating transfers in		117,029	117,029
Total other financing sources (uses):		117,029	117,029
Change in cash balances			
Cash balances beginning of year			
Cash balances end of year	\$ -		

See accompanying independent auditor's report.

## Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
REC-Aquatic Center	12-1-06	0.00	300,000	\$ 60,000		30,000	30,000	
Recreation Center	5-1-08	3.00 - 4.00	2,750,000	1,670,000		1,670,000		64,888
Refunding Bonds, Series 2016A	3-1-16	2.00	1,490,000		1,490,000		1,490,000	
Refunding Bonds, Series 2012	4-10-12	.65-2.15	1,575,000	1,415,000		160,000	1,255,000	21,055
Total				3,145,000	1,490,000	1,860,000	2,775,000	85,943
Tax increment financing:								
Touchstone gas ext	12-15-14	2.00	74,542	74,542		14,258	60,284	1,510
Total				74,542		14,258	60,284	1,510
Revenue notes:								
Sewer-WWTP	1-13-10	3.00	2,640,000	2,015,000		140,000	1,875,000	60,450
Sewer-Trunkline	3-31-11	3.00	295,000	135,000		43,000	92,000	4,050
Total				2,150,000		183,000	1,967,000	64,500
Internal loans:								
Urban Renewal Area I	11-23-09		250,000	91,983		34,233	57,750	
Rec Center	9-30-09	6.00	215,000	43,528		40,168	3,360	2,612
Kadrlik/Touchstone-Hotel	6-30-12		6,665	6,665			6,665	
Kadrlik/Touchstone-Stellar	6-30-12	6.00	27,500	27,500			27,500	4,597
Total				169,676		74,401	95,275	7,209
Total				\$ 5,539,218	1,490,000	2,131,659	4,897,559	159,162

See accompanying independent auditor's report.

## June 30, 2016

General Obligation Bonds and Notes							
Year	REC-Aquatic Center		Recreation Center, Series 2016		Aquatic Center, Series 2012		
Ending	Issued December 1, 2006		Issued March 1, 2016		Issued April 10, 2012		
June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2017	0.00%	\$ 30,000	2.00%	205,000	.95%	160,000	395,000
2018			2.00	220,000	1.15	165,000	385,000
2019			2.00	225,000	1.35	165,000	390,000
2020			2.00	225,000	1.70	170,000	395,000
2021			2.00	235,000	1.70	170,000	405,000
2022			2.00	240,000	1.70	175,000	415,000
2023			2.00	140,000	2.15	175,000	315,000
2024					2.15	75,000	75,000
Total		\$ 30,000		1,490,000		1,255,000	2,775,000

Year	Sewer				
Ending	Issued January 13, 2010		Issued March 31, 2011		
June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2017	3.00%	\$ 144,000	3.00%	45,000	189,000
2018	3.00	149,000	3.00	47,000	196,000
2019	3.00	154,000			154,000
2020	3.00	159,000			159,000
2021	3.00	164,000			164,000
2022	3.00	170,000			170,000
2023	3.00	175,000			175,000
2024	3.00	181,000			181,000
2025	3.00	187,000			187,000
2026	3.00	193,000			193,000
2027	3.00	199,000			199,000
Total		\$1,875,000		92,000	1,967,000

Issued December 15, 2014	
Interest Rates	Amount
2.00%	14,616
2.00	14,917
2.00	15,221
2.00	15,530
	60,284

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Schedule of Receipts by Source and Disbursements by Function -  
All Governmental Funds

For the Last Ten Years

	2016	2,015	2,014	2,013	2,012	2,011	2010	2009	2008	2007
Receipts:										
Property tax	\$ 1,289,291	1,253,510	1,243,904	1,219,794	1,180,724	1,130,876	1,053,384	1,029,615	1,091,666	979,610
Tax increment financing	398,079	473,503	522,722	478,891	441,712	454,085	423,346	333,998	108,444	48,580
Other city tax	277,727	353,687	255,833	259,213	247,293	186,772	255,811	232,625	183,394	192,254
Licenses and permits	17,314	39,399	41,267	35,472	37,530	32,973	31,151	35,564	36,202	36,033
Use of money and property	103,071	97,806	94,539	98,317	89,275	90,512	93,316	122,137	105,527	176,676
Intergovernmental	715,327	599,546	360,368	345,759	340,715	552,718	737,673	285,561	338,246	284,303
Charges for service	457,090	446,774	438,042	447,951	455,640	454,899	353,231	237,516	247,509	219,975
Special assessments	27,870	12,872	14,541	17,578	9,989	9,103	9,770	8,221	7,721	7,757
Miscellaneous	283,415	396,521	194,817	76,710	78,827	209,632	241,537	546,459	628,386	1,008,284
Total	<u>\$ 3,569,184</u>	<u>3,673,618</u>	<u>3,166,033</u>	<u>2,979,685</u>	<u>2,881,705</u>	<u>3,121,570</u>	<u>3,199,219</u>	<u>2,831,696</u>	<u>2,747,095</u>	<u>2,953,472</u>
Disbursements:										
Operating:										
Public safety	\$ 552,837	524,267	506,951	551,587	542,016	547,080	473,861	501,027	454,291	479,561
Public works	468,679	640,095	701,043	562,969	567,747	612,293	563,040	551,037	591,630	584,958
Health and social services	5,145	5,145	5,145	5,145	5,145	5,023	4,900	4,900	4,900	4,900
Culture and recreation	663,207	689,519	639,192	623,792	695,629	624,084	573,737	431,344	421,964	303,752
Community and economic development	586,936	711,954	312,459	272,916	145,571	173,249	141,902	256,082	429,624	602,993
General government	220,135	223,090	266,174	196,937	183,424	201,659	175,581	169,296	168,744	164,152
Debt service	1,963,210	476,193	1,989,978	586,092	593,636	750,337	718,247	757,950	724,680	595,861
Capital projects	236,993	223,589	313,261	421,776	458,628	3,425,143	2,936,233	1,861,183	456,654	3,302,859
Total	<u>\$ 4,697,142</u>	<u>3,493,852</u>	<u>4,734,203</u>	<u>3,221,214</u>	<u>3,191,796</u>	<u>6,338,868</u>	<u>5,587,501</u>	<u>4,532,819</u>	<u>3,252,487</u>	<u>6,039,036</u>

See accompanying independent auditor's report.



**Renner &  
Birchem, PC**

**Certified Public Accountants**

*"Where people who care make the difference"*

DENNIS L. RENNER, CPA  
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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Garner, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Garner's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Garner's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Garner's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Garner's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-16 to be material weakness.



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-16 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Garner's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Garner's Responses to the Findings


City of Garner's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Garner's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Garner during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

November 28, 2016

  
Renner & Birchem, P.C.  
Britt, Iowa



City of Garner

Schedule of Findings

Year Ended June 30, 2016

Part I: Findings Related to the Financial Statements:

**Internal Control Deficiencies:**

- I-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts and the disbursements, investments, and payroll under ideal conditions would be segregated.

Recommendation - We realize that with a limited number of employees segregation of duties is difficult. The City has implemented certain procedures to improve internal control. However, the City should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this and continue to implement procedures where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-16 Recreation Center Operations – The recreational center accounting procedures should be reviewed.

Recommendation – An accounting and procedures manual should be developed and adhered to for stronger control and to provide the following benefits:

- (1) Aid in training current and future staff.
- (2) Achieve uniformity in accounting and in the application of policies and procedures.
- (3) Ensure City accounts are properly utilized.
- (4) Strengthen the overall controls.

Response - We intend to investigate and install controls.

Conclusion - Response accepted.

**Instances of Non-Compliance:**

No matters were noted.

City of Garner

Schedule of Findings

Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting:

II-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.

II-B-16 Questionable Disbursements – Exceptions noted below, no disbursements were noted that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 or that were not properly documented. The City has established written policies and procedures, including the requirements for proper documentation, as part of their adopted administrative policies.

Sales tax and tips exceeding 15% were paid on certain credit card transactions.

Recommendation – The City should not be paying more than 15% on tips and sales tax on any transactions.

Response – The City will not pay more than 15% tips and request exemption from sales tax on credit card transactions.

Conclusion – Response accepted.

II-C-16 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-16 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lynn Smith, Council Member Owner Smith Hardware	Supplies & repairs	\$3,845
Mark Waddingham, Employee Owner, Waddingham Construction	Construction	\$ 835
Lynn Smith, Council Member Member Grove Street Coop	Land	\$12,845
Kevin Petty, Employee Spouse Owner, Webwise Solutions	Website hosting	\$2,630

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with council member Smith may represent a conflict of interest since a competitive bidding process was not utilized for all transactions and the total of the transactions were in excess of \$1,500. The transaction with the employee spouse does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

City of Garner

Schedule of Findings

Year Ended June 30, 2016

Recommendation – The city should use a competitive bidding process when practicable.

Response – The transactions were normal expenses and competitive bidding was not practicable.

Conclusion - Response accepted.

- II-E-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-16 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-16 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-16 Revenue Note – The City has complied with the revenue note provisions. Required Sewer Revenue Bond Sinking Fund has been created.
- II-I-16 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before the extended due date and no exceptions were noted.
- II-J-16 Authorized Signatures – One financial institution indicated that a former council member still listed as a authorized signer.

Recommendation – Whenever a change in authorized signature occurs all financial institutions must be notified and a new signature card completed.

Response – We have notified the financial institution.

Conclusion – Response accepted.